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C O N F I D E N T I A L SECTION 01 OF 03 NAIROBI 000395

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SUBJECT: CORRUPTION IN KENYA: NOT THE TIME TO MOVE FORWARD  
ON THE IMF AND MCC PROGRAMS

Ref: A. Nairobi 284 B. 05 Nairobi 5103

Classified by Econ Counselor John Hoover for reasons 1.4  
(B) and (D).

¶1. (U) This is a joint Embassy-USAID message and contains  
a policy recommendation and rationale in paras 10-14.

¶2. (C) Summary: Public release of serious and credible  
evidence of graft and cover-up at the highest levels of the  
Kenyan Government is generating outrage in Kenya and  
threatens to plunge the country into another round of  
political crisis. A befuddled leadership under President  
Mwai Kibaki has yet to fully respond to the allegations,  
and the early indicators point towards yet another attempt  
by the leadership to ride out the storm. Until the  
leadership takes swift and decisive action to demonstrate  
political will in the fight against corruption, the U.S.  
Mission in Kenya recommends postponing any upcoming action  
on Kenya's IMF and MCC programs. End summary.

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High-level Graft and Cover-up Exposed  
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¶3. (SBU) As previewed in reftels, Kenya's largest daily  
newspaper, the Nation, began running a series of stories on  
January 22 detailing high-level corruption and cover-up  
within the Kenyan administration of President Mwai Kibaki.  
The serial is based on a 19-page summary dossier provided  
in early December to the paper by John Githongo, the GOK's  
former Permanent Secretary for Governance and Ethics.  
Githongo resigned under pressure from his post in February  
2005 and has been in self-imposed exile in the UK ever  
since. As reported reftels, President Kibaki, the Kenya  
Anti-Corruption Commission (KACC), and the U.S. Embassy  
were also provided copies of the summary dossier, which is  
now circulating widely among the Kenyan press, which  
commendably continues to give it prominent play.

¶4. (SBU) The Githongo dossier offers information that has  
been circulating in USG channels for some time. What is  
new, however, is the graphic and coherent way it details  
the high-level involvement and cover up by some of Kibaki's  
most influential and trusted ministers in connection with  
the Anglo-Leasing and other similar scams, which first came  
to light in April, 2004. Named and shamed in the report,  
among others: then-Justice and current Energy Minister  
Kiraitu Murungi; former Security Minister Chris Murungaru;

Finance Minister David Mwiraria; and, Vice President Moody Awori.

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Githongo Dossier Completely Credible  
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¶5. (C) Githongo was a close contact of the U.S. Mission prior to his resignation and self-exile, and remains so now, indirectly. He is widely viewed by Kenyans and the international community as a person of great integrity and dedication to the anti-corruption cause. His "dear diary" account squares with information from a variety of other sources available to the U.S. Mission. We therefore view it as completely credible, both in its details and in the broader connections it makes between senior leaders of the Kibaki administration and a shadowy network of private businessmen who for years have brokered corrupt procurement scams at a huge cost to Kenyan taxpayers and to the country's economic and political development.

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Public Reaction Gathers Steam  
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¶6. (SBU) Now that the story is in the public domain, it is predictably causing public outrage. In an eloquent and unprecedented page-one editorial on January 22, the Daily Nation described "the long hard struggle to break the cycle of sleaze...fueled by hunger for power and quick wealth." It promises, "Today, we start that fight." As the public continues to follow and digest the story in the press, a coalition of church groups and Transparency International have already called for the resignation or dismissal of the

NAIROBI 00000395 002 OF 003

ministers and officials implicated in the Githongo dossier. Uhuru Kenyatta, Chairman of Parliament's Public Accounts Committee (and not coincidentally also the head of the official opposition) is planning a trip by committee members to London to meet with Githongo shortly to review his detailed evidence. On January 26, Uhuru further called for the resignation or sacking of implicated ministers, for the reconvening of Parliament, and for "mass action" in the event the President fails to bring Parliament back into session on schedule.

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The U.S. Approach - Short Term  
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¶7. (C) Thus far, the U.S. Mission, in coordination with other key donor countries, has adopted a low-key public approach to the Githongo revelations. This is to allow what is in every respect a Kenyan drama to play itself out and to allow President Kibaki and his re-made Cabinet time to digest and respond to it. We are currently formulating a joint letter with other missions to President Kibaki that we anticipate could be delivered quietly before or during a hoped-for meeting with the president the week of January 29. It will note our collective alarm about the allegations and suggest that the administration take swift and decisive action to demonstrate political accountability and repair what little is left of its credibility on the anti-corruption front.

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GOK Response: Nothing Yet; Signs Not Good  
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¶8. (SBU) Preliminary feelers indicate that we should not/not anticipate the GOK will take soon the kind of swift, decisive, and politically painful actions needed to restore the confidence of Kenyans or of donors. In its first statement on the issue, Justice Minister Martha Karua on January 23 reiterated age-old talking points about the

high priority the GOK places on fighting corruption, and then simply refuted the overwhelming evidence contained in the Githongo dossier by stating: "The Government never has and will never sanction corrupt or irregular deals to finance politics." The Cabinet then met January 26 under the chairmanship of Vice President Moody Awori (Kibaki was away attending a funeral) to discuss the matter. The result, according to preliminary press reports, was that 35 ministers and assistant ministers (which is only be around half of the cabinet) "rallied around Awori and pledged to counter the Anglo-Leasing 'story' collectively." In a press statement read after the meeting, Lands Minister Amos Kimunya denied knowledge of the Githongo dossier, attempted to cast doubts on Githongo's credibility, and blamed the press for politicizing the corruption issue.

¶9. (C) Equally if not more disturbing has been the reaction, or lack thereof, of President Kibaki. In his meeting with Kibaki January 25 on the corruption issue, British High Commissioner Adam Wood reported that when asked about the Githongo dossier, Kibaki simply denied having ever seen it. (Comment: Kibaki is either not fully in command of his faculties, or more likely is being disingenuous. We have reliable reports that he received and read the dossier in early December, and the document is now in wide circulation in any event. End comment). In other second-hand reports from people who met with Kibaki this week, he has been described as relaxed and serene, almost unaware of the political storm gathering around him.

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Recommendation: Postpone IMF and MCC Actions  
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¶10. (C) Until the Government of Kenya responds in a full and satisfactory way to the credible allegations now in the public domain about high-level graft and cover-up within its ranks, this Mission recommends that the United States and the international financial institutions in which we are members be selective in approving new upcoming credits, tranches, or assistance programs for Kenya. In this context, the U.S. Mission recommends that U.S. representatives to the International Monetary Fund request

NAIROBI 00000395 003 OF 003

a postponement of the scheduled February 22 IMF Board meeting, which was expected to approve the second review of Kenya's Poverty Reduction and Growth Facility. In a breakfast meeting with the Ambassador on January 26, five other Nairobi-based Chiefs of Mission (UK, Canada, Germany, Sweden, Switzerland) said that they would be making similar recommendations to their capitals.

¶11. (C) For the same reason, we recommend no action be taken in January or February at the Millennium Challenge Corporation (MCC) in connection with Kenya's Concept Paper for the MCC Threshold Program.

¶12. (C) Should in the coming days or weeks the GOK do an about-face on this issue and take bold action that has the effect of achieving a measure of political accountability and renewed confidence in the GOK, we would of course modify these recommendations accordingly.

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Comment and Rationale  
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¶13. (C) The U.S. Mission to Kenya is not arguing for broader disengagement from Kenya in response to the most recent revelations of scandal. On the contrary, we seek greater, more coordinated engagement to send an unmistakable signal to the Kenyan leadership. We should not underestimate the seriousness of the latest allegations. Their corrosive effect will likely destabilize Kenya politically and thus further hamper our

ability to advance U.S. interests on all fronts here. We are not sure the leadership yet grasps the seriousness with which we, the Kenyan public, and other donors take the situation. Sadly, the leadership's track record suggests it may simply try to ride out the storm.

¶14. (C) Therefore, we should in concert with like-minded donors send an early and clear signal on the need once and for all for political will and serious action by Kenya's leadership. Moving ahead now at the IMF or the MCC could and would be painted by the enemies of good governance within the GOK as support for business-as-usual, and would thus send a negative signal and put us on the wrong side of this issue. The United States retains respect and admiration among large swaths of the Kenyan population precisely because at key moments when leadership and courage are required, we come out not on the side of individual leaders or administrations, but on the side of democracy and improved governance as guiding principles for Kenya's development. This is one such moment.  
Bellamy